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ABSTRACT

THERE IS WIDESPREAD INTEREST IN RESTRUCTURING STATE SYSTEMS OF HIGHER EDUCATION, WITH SPECIAL FOCUS ON THE ROLE OF PRIVATE COLLEGES AND UNIVERSITIES. THIS REPORT CONSIDERS THIS ISSUE FROM 6 PERSPECTIVES; (1) A DESCRIPTION OF CONVENTIONAL RELATIONSHIPS BETWEEN STATE SYSTEMS AND PRIVATE SECTORS IN HIGHER EDUCATION WHICH SUGGEST THE NEED FOR RESTRUCTURED STATE SYSTEMS; (2) A CLASSIFICATION AND DESCRIPTION OF EXISTING AND PROPOSED TYPES OF STATE SUPPORT REQUIRED TO IMPLEMENT A TYPICALLY RESTRUCTURED SYSTEM AND PROMOTE BALANCED DEVELOPMENT OF PUBLIC AND PRIVATE INSTITUTIONS; (3) A CONSIDERATION OF SOME OF THE BASIC ARGUMENTS ADVANCED AS A GENERAL CASE FOR RESTRUCTURED SYSTEMS; (4) AN EXAMINATION OF THE MAJOR LEGAL AND POLITICAL ISSUES AFFECTING FEDERAL AND STATE AID FOR PRIVATE INSTITUTIONS, INCLUDING STATE COORDINATION OF PRIVATE INSTITUTIONS; (5) A REVIEW OF CURRENT TRENDS WHICH ILLUSTRATE THE VARIETY OF APPROACHES TO STATE SUPPORT PROGRAMS NOW IN PROCESS OR UNDER CONSIDERATION; (6) AN EVALUATION OF THE MAJOR FEATURES OF THESE PERSPECTIVES RELATIVE TO THE PROBLEMS WHICH THE SOUTHERN REGION WOULD ENCOUNTER IN ADAPTING THE STATE SUPPORT APPROACH TO STATE GOALS FOR HIGHER EDUCATION. (AF)

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STATE SUPPORT FOR PRIVATE HIGHER EDUCATION

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FOREWORD

The essence of higher education must always be dedication and freedom to expand knowledge. That means primarily freedom to question and to seek the truth in a manner that is sometimes discomforting to society and in a manner that historically has resulted, on occasion, in the intrusion of governmental pressures.

Private institutions, by and large, are not necessarily freer than public institutions, but they frequently are, and when necessary, they can be. They represent the concept of scholarship free from government pressure, and as such they are an invaluable countervailing force in American education.

Thus the value of the private sector far outweighs the portion of the higher educational load it bears; decisions about the extent and nature of state assistance to private institutions should be determined substantially in terms of how such assistance might affect the basic value represented in private higher education.

In some states the private institutions have taken the initiative in organizing themselves, preparing reports on their needs, and developing legislative proposals. In other states, outside of the South, state higher education agencies have taken the initiative in conducting studies on the relationship of private and public higher education and in developing recommendations for improving this relationship.

Whatever the approach, studies are being conducted and are uniformly coming up with a variety of recommendations in favor of greater public-private involvement. These recommendations include:

a. Overall involvement of the private sector in statewide planning and coordination;

b. Agreements, contractual or otherwise, with private institutions with particular strengths or facilities which may contribute to the total higher educational needs of a state;

c. Statewide efforts to improve the management effectiveness of all institutions, private or public;

d. Inclusion of the private sector in programs for the extension of higher educational opportunity in a state, as in student financial aid programs.

State studies are also stressing the benefits of interinstitutional cooperation, such as initiation of joint programs, student and faculty exchanges, joint use of facilities, and so on.

It is clear that the states and private higher educational institutions have much to gain by very careful consideration of their respective roles and responsibilities, of points where these intersect, and of new relationships and arrangements which would be mutually beneficial. Programs of financial aid may well be the answer in some states, but the initial approach should be broader.

William H. McFarlane has examined these issues from the viewpoint of how the resources and potential of private colleges might best be utilized in extending and enriching educational opportunity. The observations which he makes are aimed at objective consideration of possible alternatives for action; his tentative conclusions are his own. The two appendixes of illustrative studies and practices which follow the text were prepared by the SREB research staff and are not the responsibility of Dr. McFarlane.

The issues of possible public aid for private colleges have not been settled. The discussion which follows may raise more questions than it answers. Fortunately, investigations are already under way toward further clarification of the legal issues which are so crucial in this area. If this paper contributes to public understanding and stimulates further investigation and discussion, it will serve a most useful function.

Winfred L. Godwin, Director
Southern Regional Education Board

STATE SUPPORT FOR PRIVATE HIGHER EDUCATION?

The kinds of study and discussion currently under way in governmental and educational circles reflect widespread interest in restructured state systems of higher education, as well as the feasibility of adopting state support programs to encourage their development.

The restructuring of state systems implies important issues about the future role of private colleges and universities and the extent to which state governments should involve them in promoting statewide higher educational goals. Should the private role continue to be more or less incidental, essentially unrelated to the public system? Or should master planning anticipate greater involvement of private institutions in state-sponsored higher education?

Basic policy questions involved in the restructuring of state systems have become more and more explicit over the past three years. In 1966, a report from the Southern Regional Education Board discussed extensively the trend toward greater interdependence between state governments and private institutions and concluded by noting that, in the opinion of many observers, revolutionary changes in state approaches to higher education would indeed forge more substantial relationships.[1] Approximately a year later, Allan Cartter, chancellor of New York University, asserted his belief that "states must assume responsibility for planning the future growth of higher education within the context of all existing resources within the state." [2]

A number of landmark state studies have taken the initiative in bringing these questions directly into the realm of governmental planning and decision-making. In the middle of 1967, consultants to the Missouri Commission on Higher Education submitted a report whose major emphasis was upon an "examination of ways and means of making private institutions, in fact, more an integral part of Missouri higher education."[3] A similar report in Texas grew out of a governmental request for a "statement by the private colleges and universities explaining what they consider their proper place in a state system of higher education . . ."[4] The major charge in a recently completed Illinois study was ". . . on how the non-public institutions can be appropriately related to the public ones, without impairing their freedom, and on constructive means by which the state can aid the non-public institutions in the fulfillment of their task."[5] (See Appendix A in which five representative studies are reviewed.)

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[1] Southern Regional Education Board, "State Government Relationships with Private Colleges and Universities," *Financing Higher Education* No. 19 (Atlanta, Georgia 30313: Southern Regional Education Board, 1966).

[2] Allan M. Cartter, "The Responsibility of States for Private Colleges and Universities," *The Organization of Higher Education*, Proceedings of the Sixteenth Annual Legislative Work Conference of the Southern Regional Education Board (Atlanta, Georgia 30313: Southern Regional Education Board, 1967), p. 71.

[3] Allan O. Pfnister and Gary H. Quehl, *Report on the Status of Private Higher Education in Missouri, 1966-67*, Part I: *Findings and Recommendations*, A Report to the Missouri Commission on Higher Education (Springfield, Ohio: by the authors, 1967, out of print), p. 11.

[4] Liaison Committee on Texas Private Colleges and Universities, *Pluralism and Partnership: The Case for the Dual System of Higher Education* (Austin, Texas 78701: The Coordinating Board, Texas College and University System, 1968), p. 1.

[5] Commission to Study Non-Public Higher Education in Illinois, *Strengthening Private Higher Education in Illinois: A Report on the State's Role* (300 E. Monroe Street, Springfield, Illinois 62706: Illinois Board of Higher Education, 1969).

Because these issues have only recently been considered and explored with more than casual interest in most states, any evaluation of current trends would of necessity be largely speculative. There is some advantage, however, in reviewing the issues from several perspectives that provide some insight into their complexities. As considered in this report, these perspectives are:

(1) a description of conventional relationships between state systems and private sectors in higher education which suggest the need for the restructuring of state systems;

(2) a classification and description of existing and proposed types of state support required to implement a typically restructured system and promote a more balanced development of educational services among public and private institutions;

(3) a consideration of some of the basic arguments which have been advanced as a general case for restructured systems;

(4) an examination of the major legal and political issues which affect public aid for private institutions at federal and state levels, including state coordination of private institutions;

(5) a review of current trends at the state level which illustrate the variety of approaches to state support programs now in process or under consideration;

(6) an evaluation of the major features of these perspectives relative to the problems which the Southern region would encounter in adapting the state support approach to state goals for higher education.

State Systems and Private Institutions

Dramatic progress in American higher education since the early fifties has produced many impressive achievements, but perhaps none so remarkable as the emergence of state systems of higher education as major forces for expanding opportunity and service in advanced learning. Such systems have provided the necessary focus for state commitment and action that enable once-neglected public institutions to promote readier access to college education for larger segments of state populations. Their growth in diversity and strength has helped to generate more extensive state complexes of high-quality programs of instruction, research and allied services, once largely the hallmark of a few nationally prominent institutions in only a handful of states.

But with the task only partially completed, the capacities of state systems appear to be reaching a saturation point: commitments to equality of opportunity, especially for the underprivileged, and state goals for truly adequate higher educational resources are still far from being fulfilled; yet to offset shortages of funds many public institutions are resorting to restrictive economies (e.g., tuition increases, enrollment limitations, delays in vital facilities and programs, and underfinancing of costs to improve quality);[6] and state tax revenues are becoming less and less responsive to institutional needs for additional income.[7]

Complicating these difficulties has been a steady deterioration in the private sector of higher education, which has traditionally been an indispensable resource in many states for meeting total needs. As state systems have expanded in enrollments and productivity, the private sector has remained relatively static: private institutions no longer absorb significant portions of new state enrollments, nor respond as readily to demands for new kinds of instruction or to emerging requirements for vital community services.

It thus appears that the momentum of both governmental and private efforts to achieve ambitious state commitments and goals in higher education is definitely tapering off at a time when it should be accelerating. Among the numerous discussions stimulated by this dilemma, many of which have centered on the need for substantially increased levels of funding, the lack of balance between public and private institutions in accommodating statewide needs is being investigated with increasing frequency. Despite obvious gains, conventional approaches to the development and financing of state systems have put excessive pressures on public institutions while constricting the role of private institutions. In view of the central role played by state systems in creating the contemporary environment for higher education, a critical question is whether they can be restructured to eliminate inherent conflicts between public and private institutions.

Changing the structure of existing state systems would involve a shift from conventional arrangements which place primary emphasis on massive public funding of tax-supported colleges and universities; as envisioned by more advanced proposals formulated in several states, the need is for a dual public-private structure of colleges and universities, coordinated by state planning agencies and providing supplementary public funding for private institutions participating in the system. The major objective would be to stimulate

[6] Cf., Carnegie Commission on Higher Education, *Quality and Equality: New Levels of Federal Responsibility for Higher Education* (Berkeley, California; Carnegie Commission, December 1968), p. 3.

[7] Cf., *ibid.*, p. 7.

larger enrollments in the private sector by equalizing the costs of attending public and private institutions; to use facilities and programs of private institutions in the public interest when, by virtue of location or special resources, there would be a net gain in educational and/or financial advantages; and, in general, to provide for a more equitable distribution of effort among public and private institutions in meeting overall state needs.

If restructured systems would indeed achieve objectives claimed by their proponents, many of the current problems confronting state governments in their efforts to promote educational opportunity and a broader range of high-quality services would be largely resolved; private institutions would be restored to a more significant role in meeting needs; and continuing development of the public sector, necessary in any event, could place greater emphasis upon consolidating and strengthening existing gains.

But despite obvious advantages in principle, a national overview of developments toward greater involvement of private institutions in state systems of higher education reveals many imponderables. Most of these center around the controversial features of the so-called "state aid programs" which would be necessary to implement a comprehensive restructuring of conventional state systems. Although some states sponsor various forms of public support for private institutions, usually as an alternative to providing comparable opportunities and services through public institutions, most such arrangements are relatively limited in both scope and purpose. It is quite another matter when such programs are proposed as integral aspects of state policies to develop a public-private structure in place of conventionally organized systems. In most instances, proposals to implement the total restructuring of state systems would raise difficult questions of public policy as well as complicated legal and political difficulties. The greatest amount of contention understandably centers on the constitutional restrictions against appropriating public funds to private enterprise.

Categories of State Support Programs

Public support for private higher education has by custom been classified at both state and federal levels as various forms of indirect or direct "aid," depending upon whether the recipient of the support in question was the student or the institution. But in some ways the connotation of "aid" is at least misleading, and in other ways, wholly irrelevant. The major objective of all such programs is either (1) to equalize educational opportunity and expand accessibility and choice, or (2) to enlarge and strengthen the scope and diversity of state-sponsored educational programs and services. In this sense, they are also instruments of broad social improvement. In the following description of various financial arrangements between state governments and private institutions, these objectives will be used to classify the various forms of state support.

Under the first objective belong types of support which assist the individual in his aspirations to further his education. Such programs include scholarships, tuition equalization programs, educational opportunity and incentive grants, work-study programs and the like. The primary impact of these forms of support is to lower the economic barriers of college opportunity (e.g., tuition, out-of-pocket expenditures for related educational expenses and living or commuting costs, as well as foregone income). Such programs are not necessarily related directly to efforts promoting greater involvement of private institutions in state systems; in fact, in many states such institutions are constitutionally or statutorily excluded from student support programs.

Yet where circumstances permit, it is evident that student support programs can exert a positive influence on enrollment distribution patterns between public and private institutions. This is particularly so where non-restrictive student support programs are calibrated to the cost differentials between public and private colleges so that neither the conditions of the grant nor economic considerations prevent the student from seeking to enroll at any college of his choice. While the geographical distribution of institutions within a state may influence its particular enrollment trends, experience indicates the typical impact of student support programs is to stimulate enrollments at private institutions.[8]

A type of public support whose objectives are similar to those of the more prevalent forms of student support has recently emerged in programs of tax credits for parents of college students; some such programs have been adopted in several states and are under consideration in others. Presumably, these programs also work to stimulate enrollments at private institutions, where costs are higher and tax advantages correspondingly greater. On the other hand, it is clear that the impact of tax credit programs would be least where the need is greatest, that is, among low-income families.[9]

Under the second objective belongs an extensive array of financial arrangements normally classified as programs of direct support for private institutions. These include grants and loans for capital construction, support for operating budgets, project and service contracts, and tax exemptions. Such programs are frequently criticized as devices for transforming private institutions into public ones without the appearance of doing so; they are highly susceptible to constitutional challenge, and introduce non-trivial elements of governmental initiatives and control.

[8] Cf., Pfnister and Quehl, *op. cit.*, p. 52.

[9] Cf., Carnegie Commission, *op. cit.*, p. 15.

Probably the more acceptable programs in this classification are those which provide financial support in return for clearly defined benefits to the state. Service or project contracts (e.g., for instruction or research in specialized areas) and categorical support to operating budgets are favorably regarded. More questionable would be allocations for capital construction, though these too can be, and have been, widely adopted to promote state services in higher education with only incidental benefits to the institution **per se.** Most controversial of all are so-called block grants involving per-student allocations to operating budgets; such grants, while clearly capable of promoting state support of private institutions for wholly legitimate purposes, are the type of financial arrangements which most often become entangled in legal and political difficulties.

This leaves various forms of tax exemptions to be considered. The question here is not of their legality, since such exemptions are commonly granted by all states to most forms of non-profit private enterprise. The more critical issues here are whether any extension of exemptions already granted would be financially significant and, more importantly, what identifiable purpose would be served thereby that could be clearly defined as serving a specific public interest.

General descriptions and evaluations of state support programs of any sort, while informative, are of necessity somewhat inconclusive. For this reason primarily, more specific references to particular forms of state support are included in the following sections of this report which deal with other perspectives on the issue of restructured state systems.

The Case for Public-Private Systems

The case for eliminating systematic distinctions between public and private sectors of higher education rests primarily on the evolving tendency of public and private institutions to grow more alike over the years. In responding to contemporary needs, comparable institutions (i.e., universities, senior colleges, junior colleges) in both sectors now reflect, on the whole, comparable educational purposes as well as close similarities in the composition of their student bodies, the qualifications of their faculties, and the scope and nature of their curricula and programs. With respect to the public interest, therefore, it would seem there are no essential educational differences between public institutions and most private colleges. It thus appears that the educational resources of private institutions do in fact complement the assets of public institutions and, in some notable instances, set standards of educational achievement and quality to which all colleges and universities aspire. These advantages argue strongly for public policies and support to maintain the private sector as a major component in state-sponsored higher education.

The concept of public-private systems has certain distinct advantages over present structures. The most significant impact would be to broaden the base of opportunity and accessibility, providing students with wider choices in seeking the types of schooling most consistent with their background, capabilities and interests.

Inclusion of the private sector in state-sponsored systems can also make available an extensive accumulation of educational facilities, programs, personnel and services, which have been established and maintained with little or no involvement of state funds. For example, when private institutions are located in areas that have no public institutions, local residents can then be provided with access to educational opportunities at a fraction of the cost of building and maintaining public institutions with equivalent programs. The same is true in situations where private institutions have established specialized high-cost programs, usually in graduate and professional areas, which are not available through public systems.

Finally, the advantages of dual state systems must be considered in the light of federal interests in preserving a strong complex of public and private institutions. Equality of access and opportunity and the continuing development of high-quality programs and services in higher education are also supported by national policies. Federal aid programs have become an increasingly significant factor in promoting these objectives, and could well become a predominant one in the years ahead.

Many authorities believe that the greater productivity of the federal tax structure relative to the expanding national economy is the major hope for generating the effective financial margin which higher education needs to meet broad commitments endorsed by public policy.[10] In addition, only the federal government is in a position to enforce distribution of higher educational funds that will correct disparate state and regional abilities and efforts to maintain comparable opportunities and resources in education.

State governments cannot match the federal potential for generating increased rates of higher educational support, primarily because of more limited tax bases, but in some measure also because of relatively conservative taxing policies. Yet if governmental initiatives for maintaining higher education should largely shift to the federal level, the chances

[10] Cf., *ibid.*, pp. 15-16.

of preserving greater institutional responsiveness to diverse state needs are likely to diminish. Federal priorities supported by less discriminating federal policies and massive funding could significantly erode state initiatives in supporting institutions whose programs are more compatible with educational needs that vary largely with the heterogeneous characteristics of different states and regions.

But the question of federal aid is not an either/or proposition relative to the question of maintaining strong state systems. Substantial increases in public funding at both levels will be essential, just as private income from fees and voluntary support must necessarily increase (though not proportionately) as the total enterprise expands. In fact, the real problem is to keep sources and amounts of funding as diversified as possible, and not simply to replace one with the other. Federal programs to supplement state and private funding are essential. But the role of such programs should be kept in proper perspective.

At the moment, however, there is considerable disagreement over the prospects that either federal or state funding, or both, will in fact produce the amounts of public support required for projected future needs. At both levels of government, competing priorities and possible reactions against campus violence could have a serious negative impact on efforts to establish a broader and more stable financial base that would permit the state and national enterprise in higher education to move more systematically toward the achievement of long-term commitments. The academic community itself is divided over what approaches are desirable and likely to be effective. How long it will take to clear away these potentially disruptive influences remains to be seen.

Legal Constraints and Political Issues

Developing significant state support programs is not merely a question of amounts of funding. Nor is it wholly a problem of determining on some abstract basis what might be the state's responsibilities for maintaining a strong higher educational enterprise. Much more basic and real are the judicial and legislative contexts that have influenced state and federal policies in providing public support for private institutions. In short, the fundamental problems are legal and political ones.

A pervasive issue in most legal problems is the church-state controversy. Since many private institutions had their origins in church sponsorship, and since many of these retain some sectarian connections (explicit in some instances, tenuous in others), efforts to expand public support for private institutions tend to generate strenuous opposition, especially in legislative assemblies and sometimes in the courts. The issue is not always confined to the legal aspects of church-state relationships, but sometimes concerns the political equity of adopting programs which include private secular institutions while excluding private sectarian institutions.

Most legal controversies arise over direct allocation of public funds to private institutions, e.g., grants or loans for capital construction, or various forms of operating subsidies. Indirect support such as scholarships for students attending private institutions, or tax benefits, do not as often provoke questions of legality.

In any event, the federal approach to legal problems has proved to be much more flexible than prevailing approaches in most states. For example, the Supreme Court, while upholding the general intent of the First Amendment in maintaining separation between church and state, has moved in the direction of finding exceptions to the "establishment" clause in specific cases; on the other hand, state courts have usually tightened interpretations of the more explicit restrictions to be found in 48 out of 50 state constitutions; and it has also been easier to challenge the expenditure of state funds in state courts than to enter similar challenges of federal expenditures in federal courts.[11]

Major features of the legal and political problems are illustrated by an unsettled, nine-year controversy in New York State over attempts to establish a program of direct support for private institutions. Essentially, the difficulties in New York centered, as they would in most states, around constitutional language prohibiting the use of public funds to aid religiously affiliated educational establishments. In 1960, a committee headed by Henry Heald, former president of the Ford Foundation, recommended public support for private institutions, but avoided commenting on the constitutional question. Considerable debate (but no action) followed from the committee's recommendations, reflecting in the main two points of view: on the one hand, no assistance to institutions with religious affiliations; and on the other, no assistance to secular institutions without assistance to others.[12]

Eight years later, another committee headed by McGeorge Bundy again recommended direct support, but this time approached the constitutional issue head-on. Its conclusions essentially rejected the notion that all religious institutions should receive support, but also

[11] Cf., Pfnister and Quehl, *op. cit.*, p. 51.

[12] Cf., Select Committee on the Future of Private and Independent Higher Education in New York State, *New York State and Private Higher Education* (Albany, New York 12224: Bureau of Publications, State Department of Education, 1968), pp. 47-48.

denied the wider argument that every institution should on that account be ruled ineligible. In the words of the committee, "history demonstrates that there is no automatic connection between the presence or absence of religious affiliation and the presence or absence of those qualities which make a college or university a major instrument of public service."[13] It was apparently on the basis of this relatively sophisticated point of view that the legislature finally adopted the direct support program. Significantly, however, no funds were appropriated to the new program in 1968. Moreover, challenges to its constitutionality appear certain now that the 1969 assembly has passed a hotly debated bill allocating $15 million to the program for the next fiscal year.[14]

The New York experience illustrates, for one thing, how contrasting judicial policies at the two levels of government have had corresponding influence on legislative action to promote public funding of private institutions. Federal programs, after a cautious and limited beginning, have now expanded into an extensive array of direct support available to private institutions. Developments over the last decade in particular have been given considerable impetus by congressional legislation that studiously avoids language creating eligibility distinctions between private or sectarian and public institutions. On the other hand, the interest of state legislatures in similar types of programs has been sporadic at best. When the issue has arisen at all, a rather typical response has been to study rather than to act.

With respect to these contrasting judicial and legislative attitudes, passage of the 1968 New York program takes on additional significance since it attempts to steer a narrow course between diverse federal and state policies. The Bundy Committee placed special emphasis on one of the Supreme Court's tests for exceptive instances to the First Amendment, namely, the rule of "secular legislative purpose": if a law's primary purpose and effect is to benefit the public welfare and could not have been achieved by other means, it will be regarded as constitutional even though it confers some additional, but incidental, benefits thereby on persons or institutions of particular religious persuasions.[15]

In commenting on the implications of this test for its own recommendations, the Bundy Committee also noted that interpretations of the First Amendment had clearly been extended to the states by decisions of the Supreme Court; ergo, its proposals for direct support for private and/or sectarian institutions were permissible under state law as affected by relevant interpretations of the First Amendment.[16] Presumably, a majority of the New York Legislature was sufficiently impressed by this line of reasoning to adopt the recommended program.

But what may have been accomplished in New York is not so obviously workable in most other states. Given prevailing legal constraints and judicial attitudes in most states, opponents to public support programs have effectively argued, sometimes in court, that states are not obliged to arrive at the same conclusions as the federal government, nor to accept the reasoning of the federal courts as binding on their actions. They attack the "secular legislative purpose" and related theories on the grounds that such reasoning could justify the expenditure of public funds for any educational purpose whatever.[17]

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[13] *Ibid.*, p. 49.

[14] Cf., *New York Times*, May 2, 1969, p. 38.

[15] Cf., New York Select Committee, *op. cit.*, p. 50.

[16] *Ibid.*

[17] Cf., Pfnister and Quehl, *op. cit.*, p. 57. Subsequent commentary on the celebrated *Horace Mann* case in Maryland is in some respects an adaptation of the Pfnister and Quehl commentary.

At least one result of this line of argument has been a recent successful attack on direct support programs in Maryland, where limited capital grants to private and/or sectarian institutions have been made for a number of years. In brief, the Maryland Court of Appeals reversed, in three out of four cases, the decision of a lower court holding that state matching grants to certain private colleges with alleged sectarian connections did not violate the First Amendment to the Federal Constitution. The substance of the reversed ruling was that state grants could not be made to colleges "of sectarian repute" even when the purpose of the grant was non-religious. The United States Supreme Court refused to review the decision on appeal from the Maryland Attorney General.

In refusing to review the final state decision, the United States Supreme Court apparently prevented a major test case of the constitutionality of public funding in general, pretty much in line with prevailing federal policies that encourage grants of public funds without distinction as to institutional source of governance. But such a refusal may have inadvertently given the Maryland decision added weight as a precedent for court challenges in other states, especially since it is the only recent case of this nature on record and, furthermore, one which leaves the basic constitutional issues undecided.

Probably the most critical factor in the decision, as it affects legal judgments which may be brought to bear in future court challenges, is a new precedent which established, in effect, that the "degree of religiosity" inherent in a college's image, programs and governing policies may be used to determine whether an institution is "of sectarian repute." With so many private institutions having some sort of connection with church bodies, the complicated legal issues which could arise from application of these "religiosity" criteria could effectively bar the development of direct funding programs at the state level for years to come. Almost as important in this respect was the Maryland Court's invocation of the Federal Constitution in barring the expenditure of state funds.

In view of all these complications, the question of whether state support programs will make much headway against legal and political obstacles is largely indeterminate. Much will depend, it seems, on how the issues are resolved state by state. Changing public attitudes can eventually affect basic law, and, if the reasons are compelling, ways can be found to circumvent restrictions otherwise regarded as sacrosanct.

On balance, it would appear there are substantial impediments to the development of state support programs, but that possibly they can be overcome by energetic state action to plan for the coordinated development of public-private systems. In this respect, however, the confrontation is just beginning to emerge in some states but lies relatively dormant in most. What may be at stake in the long run is whether the primary responsibility for a viable public-private structure in higher education will shift from state governments to the federal level.

Coordination and Private Higher Education

Whatever the outcome of political and legal issues, administration of state support programs would present no small difficulties. The use of public funds appropriated in the public interest requires fiscal accountability to the state, and this often generates sensitive concerns about the delicate balance between institutional autonomy and state responsibility. As public college budgets have increased, many states have established special agencies to coordinate their programs and to advise on statewide policies, the development of long-term goals and short-term priorities, the appropriation of funds, and often to allocate and administer lump-sum appropriations to public college systems.

Such agencies have developed uniform systems for the reporting of comparable educational and financial data relevant to the needs, programs and plans of individual institutions. Detailed internal management data are often made available to executive officials and state legislators as a means of evaluating and establishing capital outlay and program priorities, and of determining—often on a formula basis—the allocation of funds to institutional budgets.

Should private institutions become involved to any great extent in state support programs, the same issues of institutional autonomy and governmental responsibility would arise, perhaps with greater intensity. The relationship between public colleges and state governments is, after all, a rather intimate one in the nature of the case; whereas in the case of private institutions, freedom from all but the most minimal of governmental relationships has been one of their most carefully guarded traditions. To what extent would private institutions be willing to accept detailed coordinating procedures in return for financial support from state governments? Indeed, to what extent can they do so and remain private in anything other than appearance? The answers to these questions are anything but obvious.

In addition, the practical obstacles to effective coordination of private colleges in state-sponsored programs loom rather large at present. The few intensive studies of private college problems which have been accomplished so far have found very little objective and comparable data for assessing the real needs of these institutions. No mechanism exists for coordinating the plans and programs of private institutions with those of public institutions; and, in most instances, the private colleges themselves do not appear to have any real insights into their present status or future prospects.[18]

The general tone of recent investigations has been remarkably uniform: they accept as intuitively certain that greater interdependence between public and private institutions is a progressive and desirable approach to state planning in higher education; they suggest, and in some cases, specifically recommend, program areas in which private institutions could be appropriately involved, e.g., absorbing a greater proportion of expanding college enrollments; but they all emphasize the need for greater in-depth analyses—either prior to, or concurrent with, the implementation of programs in the suggested areas.[19]

In short, the administrative problems of coordinating the private sector of higher education appear to be in much the same indeterminate state as the problems of coordinating

[18] Cf., Pfnister and Quehl, the New York Select Committee Report, *et. al.*

[19] *Ibid.*

public institutions were ten or so years ago. The atmosphere of uncertainty which this entails is not especially conducive to the rapid development of a public-private structure in state systems of higher education.

Current Trends

According to a national survey conducted during the course of the Missouri study, at least 36 states are now involved in some type of financial arrangements with private institutions as follows: general scholarships and tuition equalization programs; contracts for specified services and programs; direct appropriations for current operations; direct appropriations for construction or improvement of facilities; and special agencies to administer special programs.[20] (See Appendix B.)

The most prevalent arrangements involve scholarship programs, one of which originated in 1913, and 10 since 1961. The next most frequent arrangement is contract services.[21] There is some evidence, however, that the number and variety of programs may be slightly greater; other types of aid known to exist at present include operating support for interinstitutional programs (e.g., university centers and institutional consortia) and tax benefit programs (e.g., for parents, institutional benefactors and institutions themselves).

A few states have traditionally espoused complementary roles for private institutions in serving public interests. In states like New York and Pennsylvania, private institutions have traditionally assumed primary or incidental responsibilities for educational opportunities or services normally available through the public sector, e.g., low-cost tuition (through general scholarships), graduate and professional training in specialized areas (through service scholarships and loans for students, or contracts with the state), and research and consultative services (through grants or contracts). The principle of regional education, pioneered in the South with programs administered through SREB, involves private institutions to some extent in contracts financed by state funds. Thus, there is no dearth of precedents for workable financial arrangements which do significantly involve private institutions in state-sponsored programs of higher education.

But most existing programs of any significance developed out of relatively localized traditions and under completely different conditions than those which prevail in contemporary America; in addition, all but a few are highly selective in their institutional scope, as well as in their objectives.

Thus the evidence is slight that any of the foregoing qualify as a broadly conceived approach to the development of public-private systems. The closest illustration of this sort is the New York development, where extensive state support arrangements with private institutions prior to 1968 included general scholarships, distinguished professorships, contract colleges and a capital improvement authority. The 1968 legislature added to this list by adopting unrestricted operating grants to private institutions whose standards were comparable to those of the state university. The formula employed for distribution of the grants was per-capita degree production, differentiating between costs for undergraduate and graduate programs. By and large, however, most programs do not reflect a comprehensive plan for total restructuring of existing systems.

The New York experience, where the influence of strong and prestigious independent colleges and universities is especially visible, suggests that immediate prospects elsewhere for comprehensive state support programs for public-private systems are somewhat conjectural. For example, the Kansas Council of Church-Related Colleges dropped its backing of

[20] Pfnister and Quehl, *op. cit.*, p. 52.

[21] *Ibid.*

a tuition grant program after a bill supporting it failed to get out of committee during the 1967 legislative session. And a much broader program proposed in 1968 by the South Carolina Foundation for Independent Colleges has yet to receive serious consideration.

Intensifying financial difficulties among state governments and higher institutions, however, may generate pressures until the need for action becomes the overriding issue. Chances are the confrontation will occur soonest where pressures on public colleges are beginning to exceed their present capacities and available resources; where state budgets, already committed to unprecedented levels of higher educational expenditures, are encountering competing demands on limited tax revenues; and especially where, as in New York, a substantial number of influential private institutions are beginning to approach conditions of acute financial instability.

State Support Programs in the South

While financial arrangements between state governments and private institutions are not as extensive among Southern states as in other regions, limited measures providing selective kinds of state support are not uncommon and conform in general to those previously described. Proposals for a comprehensive program, including unrestricted capital and operating grants, have been advanced by the independent colleges of South Carolina and Texas; and several other states are exploring scholarship and loan programs, tax benefit programs, contract services, loan authorities and the like. But the traditional conservatism of state governments in the South makes it quite difficult to predict whether new approaches would be favorably received at this time.

The general merits of the approach, however, seem especially advantageous in the Southern region, where the gap between public aspirations and achievement in higher education is as serious as anywhere in the country; and where conventional patterns for financing public higher education, though exceeding the national average of effort relative to ability, are becoming less and less responsive to the rising costs of long-term goals. In this connection, recent SREB statistics reveal that the South has reached all-time highs in public spending on higher education, but is still far from catching up in the quantity and quality of its higher educational resources.[22]

Southern advocates of the state support approach are quick to point out that the present record would have been considerably worse were it not for the privately financed contributions of the region's 244 accredited independent institutions, among them some of the South's most prestigious universities. In 1967, there were 410,000 students enrolled in Southern private institutions, both accredited and unaccredited. Assuming, on the average, that half of these students were residents of the region, state responsibilities to provide educational opportunities would have otherwise been increased by approximately 20 percent, and the additional enrollments would have had to be accommodated in 382 fewer institutions.[23]

It is appropriate to ask, therefore, what the future record will show as excessive pressures on public institutions increase, while private institutions operating on shrinking financial margins are permitted to decline further in percentagewise shares of growing enrollments; and, in some instances, to live with persistent budgetary shortages that depress current levels of quality while increasing the dangers of academic stagnation and financial insolvency. Some restructuring of Southern state systems would therefore seem both desirable and necessary.

In terms of legality and acceptability, it is probably the case that general scholarship and loan programs are among the more promising forms of state support for involving Southern private institutions in state-sponsored higher education. Since support is provided for the benefit of the student, the constitutional issue of benefiting private—and especially church-related—institutions is not as likely to arise. Moreover, it seems clearly in the public interest that state funds be used to increase higher educational opportunities for worthy

[22] Source material taken from E. F. Schietinger, *Fact Book on Higher Education in the South, 1968* (Atlanta, Georgia 30313: Southern Regional Education Board, 1968).

[23] *Ibid.*

state residents, and that the conditions placed upon this form of assistance should not restrict the individual's choice in seeking the kind of educational opportunity most suited to his needs.

Though more specific research would be needed to confirm predictions, it also appears that general scholarships and tuition equalization programs could stimulate an increased use of excess enrollment capacities in many private institutions, particularly for day students who do not have ready access to public institutions. The eventual result could well be a more evenly distributed pattern of growing enrollments throughout the public-private structure in the South, whereas present trends indicate that private enrollments will eventually decline from 24 percent of the total (in 1967) to 19 percent of the total (in 1975).[24]

If, as in some states with fairly extensive student support programs, the trend would be toward proportionately greater enrollments in private institutions, this would result in somewhat lessened pressures on public funds simply to increase enrollment capacities at public institutions and allow a greater concentration upon diversifying and expanding in critical program areas and upon more adequate financing of costs to improve quality.

It should not be assumed, however, that larger enrollments at private institutions under student support programs would automatically benefit either the state or those institutions. Since scholarships and other forms of student support are normally calibrated to what the institution charges, and this is normally less than the actual per-student costs for education, a large influx of new enrollments could actually mean larger deficits rather than balanced budgets. Faced with this situation, some institutions would undoubtedly be tempted merely to raise their fees closer to the level of true costs, thus negating the advantages to the student, or requiring the state to engage in price-fixing policies to keep the support program within manageable limits. If, on the other hand, private institutions involved in state-financed student support programs were to agree to improve their operational efficiency (e.g., by increased student-faculty ratios), to improve space utilization, and to offset price-cost deficits by private fund-raising, student support programs leading to increased enrollments could indeed result in balanced budgets and possible margins for needed improvements, while simultaneously decreasing the average per-student costs to the state.

A second type of financial arrangement which would appear to meet most reasonable tests of legality and acceptability is that which provides for contractual agreements between state governments and private institutions for services that are either not available or conveniently located in the public sector, or for which the private institution provides especially strong resources (e.g., in teacher training, in highly specialized scientific and health areas, and graduate training and research endeavors). As with student support programs, it would not seem that contract services are, strictly speaking, a form of aid to private institutions, but rather compensation for services rendered. As previously noted, SREB regional programs do involve contracts with private institutions, as well as state funds, even though the arrangements are indirectly administered through a non-state agency.

Further, contract arrangements are easier to evaluate than student support programs in terms of their educational and financial advantages, as well as their possible impacts. In general, the state should be able to determine rather readily what its needs might be for specific programs, as well as the possible economic advantages of contracting for them with

[24] *Ibid.*

private institutions rather than starting similar programs in the public system or expanding and improving existing public programs that are quantitatively and qualitatively inadequate. The institution, for its part, should be able to determine whether providing contract services in this fashion constitutes an effective utilization of its existing resources.

The limitations of contract programs in the South lie primarily in the small impact they would have on the majority of private institutions. With the possible exception of teacher training, the resources of private institutions for the kind of specialized services that contract arrangements typically provide are generally restricted to the handful of prominent independent Southern universities having strong graduate and professional schools—less than a dozen out of the 640 Southern institutions of higher learning. Despite these limitations, however, the expansion of contract services in all possible areas should be thoroughly explored.

Since church-related colleges are a prominent feature in the private sector of Southern higher education, constitutional barriers suggest that proposals for most forms of direct support (categorical or unrestricted) would run into difficulties in the immediate future. It would seem incumbent, however, on state agencies charged with responsibility for long-range planning in higher education to take the initiative in exploring how effective coordination of private and public institutions could best be implemented under direct support arrangements including evaluation of the complex legal issues and administrative relationships. In this respect, a positive initial step would be to give representatives of the private sector an official voice in these policy and planning groups whose influence in state legislative and executive decision-making with respect to higher education is particularly strong. This approach has already been recommended in Texas.

Probably the most promising, but least developed, approach to public funding of coordinated public-private higher educational programs involves the possibilities of direct state appropriations to interinstitutional cooperative associations.

Various forms of bilateral and multilateral cooperation between institutions have actually been around for some time. It has long been recognized, for example, that not even the largest university library could acquire all the resources for which an instructional or research need could conceivably arise. Accordingly, university libraries have over the years developed an inter-library network which effectively responds to inquiries originating in one location for which relevant publications are available in another. Other examples of long-standing cooperative enterprises include national and regional consortia promoted by the Atomic Energy Commission for contractual operations of large research laboratories devoted to basic and applied studies in nuclear science; quasi-independent university centers through which geographically compact groups of institutions can arrange for such activities as visiting scholar programs, centralized book storage, small research grants and similar resources which many of the participants, particularly the less affluent, could not afford by themselves.

The existence of these arrangements strongly suggests that the natural insularity of colleges and universities can be breached when the motivation is particularly strong. There is a resurgence of interest in cooperative programs, some of which are variations on those already existing, and others which are moving in entirely new directions. All of them are based on the sound principle that there are many institutional programs which could be strengthened considerably through collective activities, with significant economies being

achieved as an added incentive. They include interinstitutional computer networks, student-faculty exchanges, cooperative degree programs, professional consulting services for curriculum development and reform, consortia to foster institutional research, centralized administrative and housekeeping functions, and contracted operations to commercial companies for food and dormitory facilities and services.

The variety of cooperative programs appears to be limited only by the imagination and initiative of the institutions which develop them, although the degree of success may often be influenced by the comparability of the institutions which participate, in terms of such factors as mission, scope of programs, or geographical proximity. They do not, significantly enough, appear to be greatly affected by mixing public and private institutions when the objectives for which the arrangement exists are relevant to the purposes of each. In sum, cooperative programs hold great promise as a means of strengthening the public-private structure of higher education, and can be an especially significant answer to some of the more urgent problems of private colleges and universities, whether large or small, wealthy or of more modest means.

Though the exact number, form and nature of all such cooperative arrangements in the South have yet to be determined, prominent examples include a graduate center in Atlanta, university centers in Richmond and Winston-Salem and the 48-member consortium forming the Institute for Nuclear Studies at Oak Ridge. Where such associations exist on a relatively formalized basis, possibly with central administrative offices, direct state support for them would appear to meet the same tests of legality and acceptability as the programs and activities administered through SREB. The clear advantages include not only greater involvement of public and private institutions in mutually reinforcing academic programs that in themselves give added strength to state systems in the South, but also the benefit of cost-saving arrangements in instructional and supporting activities. Additional support for further innovation would seem to be appropriate for well-established associations, and might provide incentives for other institutions to experiment with similar arrangements.

Finally, there are the usual forms of tax exemption, and at least one Southern state (North Carolina) has a program of tax credits for parents. Compared to such core programs as scholarships and service contracts, however, tax benefit programs would seem at best to offer peripheral advantages, mainly in equalizing the impact of tuition cost differentials, and possibly in balancing institutional operating budgets.

APPENDIX A

REPRESENTATIVE STATE STUDIES OF PRIVATE HIGHER EDUCATION

The preceding document was requested by SREB because of a recent quickening of interest in relationships between state governments and private institutions, as evidenced by the several state or statewide studies dealing with the topic. It should be useful to summarize the premises followed and the conclusions drawn by those in New York, Illinois, Texas, Missouri and California.

The **charges to the respective study groups** ranged as follows:

New York: A request by the Governor of New York and the Board of Regents to advise on "how the state can help preserve the strength and vitality of our private and independent institutions of higher education, yet at the same time keep them free."

Illinois: A request by the Seventy-Fifth General Assembly of Illinois to advise on "how the non-public institutions can be appropriately related to the public ones, without impairment of their freedom, and on constitutional means by which the State can aid the non-public institutions in the fulfillment of their task."

Texas: A request by the Coordinating Board, Texas College and University System, to the private colleges and universities of Texas for a statement "explaining what they consider their proper place in a state system of higher education, now and for the next two decades."

Missouri: A request by the Missouri Commission on Higher Education for a report examining "ways and means of making private institutions, in fact, more an integral part of Missouri higher education."

California: A request by the Association of Independent California Colleges and Universities for a study on meeting their resource requirements, "considering not only traditional sources of income but also possible new sources of external financing, both governmental and nongovernmental."

Each of these requests, with the possible exception of the California example, assumes that the private institutions are already participating in some way in the respective state systems or that the state has the responsibility of promoting the effectiveness of the private institutions.

The study groups vary in the degree of **attention given to the development of a rationale for state concern over the viability of private institutions:**

New York: The Select Committee on the Future of Private and Independent Higher Education, which wrote the New York report, states an introductory general premise—"that the value to society of strong private institutions of higher learning is clear and great. As an extension of this proposition, we have taken it as axiomatic that any deterioration in the established quality of these private institutions—whether in terms of faculty, curricula, academic standards, or physical plant—would be harmful not only to the institutions but also to the public good."

Illinois: The Commission to Study Non-Public Higher Education in Illinois, which wrote the Illinois report, begins with the premise: "It is essential to preserve and

strengthen the dual system of privately supported and publicly supported institutions of higher education," and explains that "the two sectors share a basic similarity of functional role. Through them the citizens of this State enjoy a wide choice of educational opportunities. Each sector has contributed to the diversity, strength and improvement of higher education in Illinois. Each has complemented the other in meeting the needs of the people of the state."

Texas: The Liaison Committee on Texas Private Colleges and Universities, in its point of departure, underlines the deepening crisis in private higher education which threatens continuation of the traditional two-sector pattern or "dual system" of higher education. The bulk of the study is an exposition of the proposition that the private sector is indeed an integral and substantial part of that system and that public policy demands positive steps to help sustain the private sector and to assure the strength of the whole system.

Missouri: Allan O. Pfnister and Gary Quehl, who wrote the Missouri report, begin with less sharply stated premises. They discuss the role of the private sector, both in terms of differences and similarities as compared with the public sector and reach what is essentially a pragmatic imperative: "Examine all of higher education in terms of critical needs of the state and consider how these needs may be met by existing institutions, both public and private. It is not a question of private versus public, but of private and public together providing the educational opportunities needed by the state."

California: The California report, based on a study by McKinsey and Company, Inc., states simply that the independent institutions "have a relationship with the State systems—the University of California and the California State Colleges—that is complementary, cooperative and competitive."

Recommendations regarding private higher education and state coordination:

New York: The recommendation for state aid to private colleges and universities (see below), reports the Select Committee, "can be justified only if there are major improvements in the way the state conducts its relations with all of higher education." Specific recommendations call for a strengthening of the office of the Associate Commissioner of Higher Education to allow overview of both private and public sectors, adoption of improved enrollment prediction methods for all of higher education by the Board of Regents, consideration of contractual graduate education arrangements with private institutions, statewide cooperative development of public and private library reference and research resources, provision of planning grant funds for stimulating public and private interinstitutional cooperation, and establishment of a Commission on Independent Colleges as a spokesman for the private institutions.

Illinois: "The Commission urges an extension of the already existing collaboration between public and private sectors in statewide planning for the future," and "of the many programs of interinstitutional cooperation in which the institutions are already engaged." In proposing a program of state aid to private institutions (see below), it "recommends that the Board of Higher Education establish an Advisory

Committee, composed of representatives of the private institutions to provide continuing liaison between the institutions and the Board and its Executive Officer," and specifies areas of higher educational study, planning, coordination, and administration on which the Committee should advise. Also recommended is establishment of a Management Advisory Service for use by public and private institutions.

Texas: The Liaison Committee believes that "the independent sector of higher education should be structured into the total higher educational system under the Coordinating Board's master planning process in terms of having representation in a Coordinating Council or other policy review body, along with representatives of the public senior colleges and universities and the community junior colleges."

Missouri: The authors recommend that the Missouri Commission on Higher Education establish a "fact-finding and consulting service open to private as well as public higher educational institutions." It further recommends that "long-range state planning take into consideration both groupings of public and private institutions and special programs of quality currently maintained by private institutions."

California: The California report makes no direct recommendation for further coordination with the state-supported institutions. It does call attention to the increased use of planning, currently, by the independent institutions themselves, "in order to evaluate the future financial impact of present decisions about programs, courses and curricula. They are entering into more and more cooperative arrangements with other institutions in the academic, cultural, and business areas."

Recommendations regarding state aid to private institutions:

New York: The Select Committee recommends a program of state aid to eligible private colleges and universities which "should be calculated on the basis of numbers of earned degrees conferred annually, with differentials for the appropriate levels and types—the bachelor's degree, the master's degree, the doctorate—approximately proportional to average differences in costs. Such aid should be given by direct grant to eligible institutions for general purposes, upon receipt by the State Education Department of an acceptable count of degrees conferred and other necessary evidences of eligibility." (See Appendix B, Section B, 4.)

Illinois: The Commission recommends a four-point state aid program of (1) direct annual grants from public funds to the private institutions in Illinois for the support of their current educational and general operations, beginning with allocations amounting to about five percent of current operating expenditures, (2) capital assistance through provision of private institutional access to long-term, tax-exempt bonds to be issued by the existing Illinois Building Authority, (See Appendix B, Section C), (3) establishment of a state fund for contracts with private institutions, individually or in consortium, for special services, such as providing programs for disadvantaged youth, (4) establishment of a fund to assist in the development of programs of interinstitutional cooperation among groups of private institutions and among clusters of public and private institutions. Also recommended is (a) expansion of the Illinois Scholarship and Grant Program which provides Illinois students

opportunity for education at institutions of their own choice, and (b) an interstate compact providing for reciprocity between states in the use of equivalent student aid funds.

Texas: The Liaison Committee recommends passage of a Higher Education Program Authorization Act which would provide aid to students and institutions in both the public and private sectors. Both contracts and grants to institutions would be used, including capital grants; contracts for programs, services and facilities—particularly at the graduate and professional (medicine, dentistry, nursing, other health fields, engineering) levels; grants and contracts for institutional research and experimentation; production and service grants for accredited independent institutions; and a program to assist the special purpose and developing institutions.

Missouri: The authors recommend "consideration" of the proposition that utilization of private facilities be implemented through purchase of services or exchange of students and of "state grants to regional organizations within the state"—particularly those involving public and private institutions—for cooperative endeavors. They recommend studies of graduate education and of capital financing, both with a view toward possible future state involvement with private institutions. They endorse plans already under way in Missouri for a state scholarship or tuition plan in which students at private institutions would participate.

California: The report surmises that "private colleges and universities will receive increased financial support from both Federal and State sources, but such support will probably be limited in amount . . . . When government funds are accepted, the mechanism employed must be considered. The G. I. Bill and the State Scholarship program have resulted in no loss of independence because the mechanism has made the funds available through the student . . . . Careful consideration should be given to tax incentives and other appropriate forms of assistance. Whatever is done, if independent institutions are forced to rely on the government for solution of their financing problems, they will no longer be independent."

The recommendations of the New York and Illinois studies are quite specific and only the California report, in effect, rejects substantially increased reliance upon state aid; the Missouri and Texas reports are much more general. While each report except the California study recommends closer **coordination** of public and private higher education, conclusions regarding **state aid** for private institutions range from willingness (in California) to accept indirect aid, through the Missouri suggestion that various state aid possibilities be "considered" and the Texas "belief" that certain proposals have merit, to the Illinois report calling for adoption of an omnibus program of aid and the New York report which focuses upon a specific statutory enactment of a program for direct financial aid to private institutions.

APPENDIX B

REPRESENTATIVE TYPES OF STATE SUPPORT FOR PRIVATE HIGHER EDUCATION

The following is a classification of major methods whereby state support for privately controlled higher education is currently provided in selected states. The examples are illustrative, usually showing a single application for each method. It should be noted that while indirect aid programs (aid to students) are widely accepted, direct aid programs are infrequent.

A. Aid to students attending private institutions

1. Guaranteed loan programs

Guaranteed loan programs are the most widespread form of state-administered assistance to students attending private institutions. Although some states have independently operated loan programs for a number of years, such assistance is now coordinated under the Higher Education Act of 1965 and variously administered in the individual states. The program of the Georgia Higher Educational Assistance Corporation, for example, is described as follows:

> The loan program is a flexible one. It permits a student to obtain funds in addition to scholarship funds, if necessary. It provides assistance to students of less-outstanding scholastic ability who might not otherwise qualify for a scholarship. The only scholastic requirement is that the student be accepted by an accredited, non-profit institution of higher education. The program must lead to a degree or diploma, but there are no other restrictions to the program of study chosen. Although the program was created as recently as 1965, around $6 million is already outstanding, permitting well over 5,000 students to obtain some post-secondary training.
>
> The outlook for the program: rapidly increasing growth. With its flexibility, it will probably remain the most widely utilized financial aid plan. No Georgia resident meeting the basic qualification should ever need to forego post-secondary training for lack of money. Granted, the success of the plan depends primarily on the extent of participation by the lending institutions in the State. And unfortunately, there are areas where banker participation is light or nonexistent. Hopefully, public awareness and pressures, combined with the bankers' foresight in securing future customers and in providing support to the State's young people, will bring about increased participation in the near future. (From the **Atlanta Economic Review**)

2. Service scholarship or loan programs

A loan or grant-in-aid program specifically for students at private institutions which carries with it an obligation of professional service within the state is the Maryland Teacher Education Scholarship (applying specifically to 13 Maryland private institutions), as described by the Maryland State Scholarship Board:

> Eligibility:
>
> High school seniors and high school graduates of previous years, including those already in college.

Number of Scholarships:

One hundred seventy-one four-year scholarship awards are available each year. These are allocated according to the total number of members in the General Assembly for each county and for each legislative district and Baltimore City.

How Awarded:

Awards will be made by the State Scholarship Board, based upon the results of a competitive examination.

Value of Award:

Each scholarship has a potential value of $2,400 for four years of undergraduate work, with a maximum allotment of $600 per year, renewable annually for three years, subject to the recommendation of the college in which the student is enrolled. The stipend may be used for tuition and/or room and board fees.

Conditions of Award:

Each scholarship recipient is required to:

a. Be a legal resident of the county or the Baltimore City legislative district from which he or she expects to receive a scholarship award.

b. Enroll during the next ensuing scholastic year as a full-time student in one of the 13 non-public eligible institutions whose teacher education curricula are approved by the State Department of Education, and pursue a curriculum leading to a Maryland teacher's certificate.

c. Have definite financial need.

d. Give bond that he will teach in the Maryland public schools for a minimum of two years following graduation.

Application:

Students wishing to compete for a Teacher Education scholarship may apply at any public or non-public high school in Maryland. The counselor or principal should be consulted concerning the time for application and the date of the test.

3. General scholarship programs

New York was apparently the first state which adopted a general scholarship program, over 50 years ago. Its operation is described as follows:

New York State Scholarships for higher education are awarded annually on the basis of Regents Scholarship Examinations given each October for the succeeding school year. They are renewable for a total of four years of undergraduate studies, providing a satisfactory level of scholarship is maintained. The undergraduate scholarships range from a minimum of $250 to a maximum of $1,000 a year. The amount is contingent upon degree of family need and the amount of tuition charge at institution attended. If a family's net taxable income is $1,800 or less (equivalent to a gross income of $5,000 for the average family), the winner is eligible for the maximum of $700. As family income rises, eligibility declines at the rate of $1 for each $10 of taxable income, until at $6,300 (equivalent to about $10,000 gross income) the minimum of $250 eligibility is reached. For families with more than one child attending college, the calculated taxable

income is divided by the number of children attending college. Thus a family with three children in college could receive a taxable income of $5,400 and still be eligible for the maximum award.

The amount of such scholarships is not, however, to exceed the amount of tuition charged by the institution attended. In the case of students attending independent institutions of higher learning charging $1,000 or more a year, the amount could run up to $1,000. (From the **College and University Journal**)

B. Operational support of institutions

1. Tuition equalization programs

The most extensive application of the equalization principle is illustrated by the system of "tuition reduction supplements" which was initiated by the State of Pennsylvania in 1965. Tuition reduction supplements are provided by the state to the "Commonwealth Universities Segment" of higher education, which comprises the "state-related" universities—Temple University and the University of Pittsburgh—and Pennsylvania State University, all three of which, under Pennsylvania law, are considered as private universities.

These tuition reduction supplements are appropriated to enable the designated institutions, without loss of operating income, to reduce student fees to make low-cost higher education available to Pennsylvania residents. The largest share of these sums is appropriated to Temple and Pitt because, as private non-profit corporations, these institutions have previously raised fees in accord with private university practice. Sums appropriated specifically to replace income foregone by reduction of student fees totaled $32.5 million for the 1968-69 fiscal year. (Adapted from **The Grapevine**)

2. Basic operational support for specified programs

An example of this approach is the responsibility assumed by the state of Florida for the partial support of the Medical School at the University of Miami. This school was made possible by the action of the state legislature in 1951; the legislation provided for the payment of an operational subsidy by the state to the "first medical school in Florida under the administrative control of a municipality, county or non-profit institution of learning." Appropriations are adjusted from time to time to reflect changing costs. The most recent annual subsidy totaled $1,344,000.

North Carolina in July, 1969, enacted a similar method of aiding privately controlled medical education, one which will provide $2,500 per North Carolina resident enrolled at Duke and Bowman Gray, $250 being applied to the reduction of tuition and $2,250 going to the institution. This support is contingent upon the condition that the school increase the number of North Carolina residents in attendance.

Support of particular programs at a private institution is also illustrated by the arrangement whereby the state of Alabama contracts with Tuskegee Institute in the amount of $470,000 annually for (a) the undergraduate and graduate instruction of Alabama residents in engineering and veterinary medicine and (b) an undergraduate four-year professional course leading to the Bachelor of Science degree in agriculture. While this particular application of the contract principle has in the past facilitated continuation of a dual system of education, this support contributes to the strength and growth of a private institution which now is prepared and qualified to serve the population of the state as a whole.

3. Private administration of state-supported programs

This category provides a classification for the so-called "contract programs" conducted for New York State at Cornell University and several other non-public institutions in that state. Originally established through contractual arrangements, these programs are now a part of the State University of New York but are operated as integral units of the campus on which located and are administered in the same manner as other divisions of the privately controlled host institutions.

4. General maintenance appropriations

Pennsylvania provides the only example of a state which has had **extensive** experience with massive general operational support to private institutions through state funds. In addition to the annual tuition reduction supplements noted above ($32,500,000) and basic operational support for specified programs ($17,583,000), general maintenance appropriations were made as follows in 1968-69: to "state-aided" private institutions (the University of Pennsylvania)—$8,184,000; to "state-related" private universities (Temple and Pitt)—$29,789,000; and to Pennsylvania State University (technically a private institution, but predominantly state-supported)—$51,346,000. This totaled $139,402,000 and constituted 53 percent of Pennsylvania's higher educational operational appropriation in 1968-69. (From **The Grapevine**)

Legislation enacting recommendations of the New York Select Committee (See Appendix A) has gone into effect in that state, with an initial fund of $20 million, to be paid to eligible colleges and universities at a rate of $400 per bachelor's and master's degree and $2,400 per doctorate awarded (1969-70).

C. Capital Outlay to Institutions

An example of state participation in capital financing of private institutions is offered by the New York State Dormitory Authority, created in 1944, which "is empowered to construct, equip, and maintain such facilities as those employed for student housing, academic purposes, libraries, laboratories, classrooms or other structures essential, necessary or useful for the instruction in the higher education program" on the campuses of both public and private institutions within the state. The authority helps procure private funds for private institutions but does not lend them state funds nor does it guarantee the authority's bonds. Legislation implementing a similar program (See Appendix A) was passed by the Illinois Legislature in 1969.